



# CAMBRIDGE CITY COUNCIL

Marjorie C. Decker  
City Councillor

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OFFICE OF THE CITY CLERK  
CAMBRIDGE MASSACHUSETTS

March 3, 2011

To: City Clerk Margaret Drury

From: Marjorie Decker Chair of the Finance Committee

Subject: Community Budget Forums

One of my goals as Chair of the Finance Committee has been to increase public understanding of the City's budget. To that end I held two citizen forums to describe the City's budget process and answer any questions that citizens might have.

Please place the attached notes from the budget forums held on February 9<sup>th</sup> and 12<sup>th</sup> on the Communications from Other City Officers.

This is the first year in which there have been community meetings to increase both public knowledge of the budget process and expand citizen input. It is my hope that the Finance Committee will make this model a staple of the committee structure regardless of who is chairing.

Thank you for your cooperation,

Marjorie Decker  
Chair of the Finance Committee

## **Budget Forum Agenda**

**Introduction: City Council Finance Committee Chair, Councillor Decker**

**1. Highlights of the Latest Citizen Survey**

**2. Council Goals**

**3. Triple A Bond Rating**

**4. Brief Financial Overview**

- Operating Budget Expenditures
- Operating Budget Revenues
- Capital Budget
- Major Capital Projects

**5. Other Financial Key Indicators**

- Tax Rates
- Excess Levy Capacity / Assessed Values
- Free Cash Balance—what is Free Cash?
- Reserve Funds – How are they used in the Budget
  - City Debt Stabilization
  - School Stabilization
  - Health Claims Trust Fund
  - Parking Fund
  - Water Fund

**6. FY12 Budget Guidelines and Calendar**

**7. Citizen Feedback on Budget Priorities**

- What Budget Priorities Do You Want to Share With the City Manager/City Council About the Upcoming City Budget?
- Small Group Discussions
- Report out by Small Groups

**Attachments: Flyer and Presentation Booklet**

### **Attendee's Individual Top Budget Priorities/Ideas**

1. When will this snow be removed from our streets?
2. Control temptation to excessively grow tax base and parking revenues to fund an ever expanding budget
3. Innovation in government process
4. Information technology as strategic asset
5. 311/constituent services/call center for access to all city services
6. Health care changes – Patrick Bill proposal
7. Loss of grants by non-profits and impacts on services needed by Cambridge residents
8. More IT budget
9. More Economic development
10. More Block parties
11. How to motivate citizen's participation in budget preparation
12. Find creative ways to reduce expenses and increase revenue
13. How to find more meaningful projects to run and sponsor
14. School reconfiguration, rehabilitation and reconstruction
15. Careful evaluation of flagmen instead of Police Officers on some street
16. Develop a carbon budget
17. Increase by ½ FTE Conservation Commission staff to allow better oversight on community gardens (expanding it too)
18. Is there any money available for snow removal?
19. Go paperless
20. Establish budget for Cambridge Junior Achievement Program
21. Establish budget for music program for Cambridge Junior and Senior High school kids.
22. At \$1000 per capita – how does the public safety expenditure compare to surrounding communities
23. Cambridge Learning Center CLC grant funding

## **Small Group Top Budget Priorities/Ideas**

### **GROUP #1**

1. Not be overly reliant on an ever increasing tax base.
2. Manage growth to retain character of Cambridge
3. Having government be more innovative by investing in technology

### **GROUP #2**

1. Junior Achievement Program
2. Online budget feedback from residents/partnership with local business
3. Technology
4. Sensitivity in spending in comparison to other communities - \$1,000 per person public safety

### **GROUP #3**

1. Go paperless – forms, permitting, etc.
2. Develop a carbon budget
3. More funding support from the City to the Community Learning Center

### **Other comments during reporting out of the small groups:**

IT strategic Plan

More on-line applications

Taking pro-bono technology assistance from companies in Cambridge

Execs for Tech – helping start ups etc.

**SIGN IN SHEET**

Wednesday, February 9, 2011 at Mayor Russell West Cambridge Youth and Community Center,  
6:30-8:30 p.m. and Saturday, February 12, 2011 at Main Library 10:00 a.m.-12noon

Jai Chawla
Peter Zovoulis
Leroy Cragwell
Charles Marquardt
Leland Cheung
Saul Tannenbaum
Sam Seidel
Robert Winters
Minka vanBeuzekom
George F. Welch, Jr. (Jack Welch)
Polly W. Allen
Marina Zdebnova
David Vise
Yakuv Mararovsky



## **City of Cambridge**

# **A Series of Budget Forums for the Fiscal Year 2012 Budget**

**Are Being Hosted By  
City Councillor Marjorie C. Decker, Chair of the Finance Committee**

**As the City Manager begins the Fiscal Year 2012 Budget Process,  
Cambridge residents are encouraged to attend and provide feedback  
on budget priorities and to learn more about the City Budget.  
Individuals are invited to attend ONE of the following forums.**

- Wednesday, February 9, 2011, Mayor Russell Youth & Community Center,  
680 Huron Avenue, Community Room (2<sup>nd</sup> Floor) – 6:30 -8:30 p.m.**
- Saturday, February 12, 2011, Main Library Lecture Hall, 449 Broadway –  
10 a.m. – 12 noon (Rescheduled from Feb. 2 and 3, 2011 due weather and parking conditions)**

**Please RSVP: [cmatson@cambridgema.gov](mailto:cmatson@cambridgema.gov)  
Catherine Matson-Grosser (617) 349-4276**

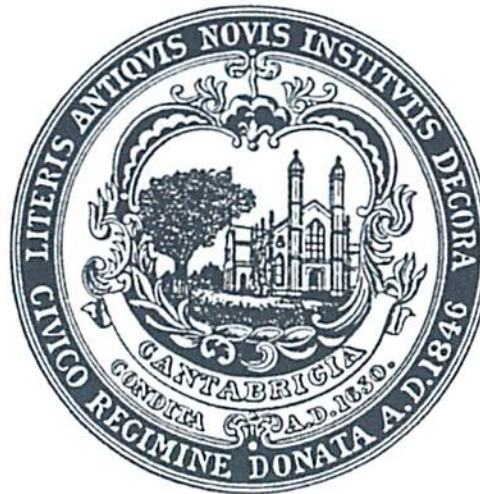
**City Council Finance Committee Members:**

Marjorie C. Decker, Chair  
Mayor David P. Maher  
Vice Mayor Henrietta Davis  
Leland Cheung  
Craig A. Kelly  
Kenneth E. Reeves  
Sam Seidel  
E. Denise Simmons  
Timothy J. Toomey Jr.

**City Administration:**

Robert W. Healy, City Manager  
Richard Rossi, Deputy City Manager  
Louis DePasquale, Assistant City Manager for Finance  
David Kale, Budget Director





# City of Cambridge, Massachusetts

## Budget Forum for FY12 Budget

### February 2011

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## **Agenda**

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- 1. Highlights of the Latest Citizen Survey**
- 2. Council Goals**
- 3. Triple A Bond Rating**
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  - Major Capital Projects
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### CITIZENS OPINION SURVEY 2010 – HIGHLIGHTS

The City conducts a Citizens Opinion Survey on biennial basis. The sixth survey was completed in 2010 and highlights of the results are presented below:



90% of respondents rated Cambridge as an excellent/good place to live



92 % of respondents rated the overall quality of their neighborhood as excellent/good



76% of respondents rated Cambridge as an excellent/good place to raise a child



67% rated the City Government Overall Performance as either excellent/good

The City Budget is developed to meet the **City Council FY11 and Fy12 Goals:**

Evaluate City Expenditures with a view of maintaining a strong fiscal position and awareness of the impact on taxpayers while providing a high quality array of City services.

Foster community and support neighborhood vitality. Support opportunities for citizens to participate and to know each other within their neighborhoods and across the city.

Strengthen and support Human Services , Public Education and Out of School Learning in Cambridge for the benefit of residents of all ages.

Value and support the racial, socioeconomic, cultural and religious diversity of our city.

Promote public safety and address the challenges and opportunities for multiple modes of transportation to safely share roads and sidewalks.

Preserve and create affordable housing for low, moderate and middle-income families and other residents across the city.

Promote doing business in Cambridge and work to strengthen our mutually beneficial partnerships with businesses and universities.

Promote a healthy community and environment to advance Cambridge as a leader in public health and environmental sustainability.



## TRIPLE A RATING & FINANCIAL HEALTH

As a result of sound financial management practices the City of Cambridge retains the rare distinction of being one of approximately thirty municipalities in the United States with three Triple A ratings from the nation's three major credit rating agencies. These ratings result in the City receiving lower interest rates when it issues bonds to finance its capital projects, which reduces borrowing costs. In turn this translates into reducing the amount of property taxes needed to fund projects.

The City has received Triple A ratings from Moody's Investors Service, Standard & Poor's and Fitch Ratings every year since 1999. In addition, Standard & Poor's reaffirmed its "strong" Financial Management Assessment (FMA) of the City. An FMA of "strong" indicates that practices are strong, well embedded and likely sustainable.

The strong rating indicates that the government maintains most best practices deemed critical to supporting credit quality and that these are well embedded in the government's daily operations and practices. Formal policies support many of these activities, adding to the likelihood that these practices will continue into the future and transcend changes in the operating environment or personnel.

## FITCH RATINGS

- Cambridge's exceptional financial management is characterized by its high reserve and liquidity levels.
- Conservative budgeting practices along with a use of reserves the last two years has helped keep tax levy increases at moderate levels while the city faces increases in education and public safety costs.
- The stable presence of higher education, health care, biotechnology, and life sciences industries supports the well-diversified economy with low unemployment and above-average wealth levels.
- Growth in assessed value provides the city with tax levy flexibility for operations and debt service as the gap between the city's actual tax levy and the statutory levy limit has grown to its highest level in the City's history.
- Debt levels are moderate and expected to remain manageable, aided by the City's rapid amortization rate.

#### MOODY'S INVESTORS SERVICE

- The Aaa rating reflects the city's large, diverse and stable tax base, which is anchored by prominent higher education institutions and a growing research and development sector.
- Also incorporated into the Aaa rating are an exceptionally strong and resilient financial position which has performed well through the national economic downturn, management's consistently conservative approach to budgeting and a favorable debt profile supported by healthy enterprise systems and historically strong commonwealth school construction aid.
- Large and diverse tax base anchored by state universities.
- Robust financial position guided by sound management policies.

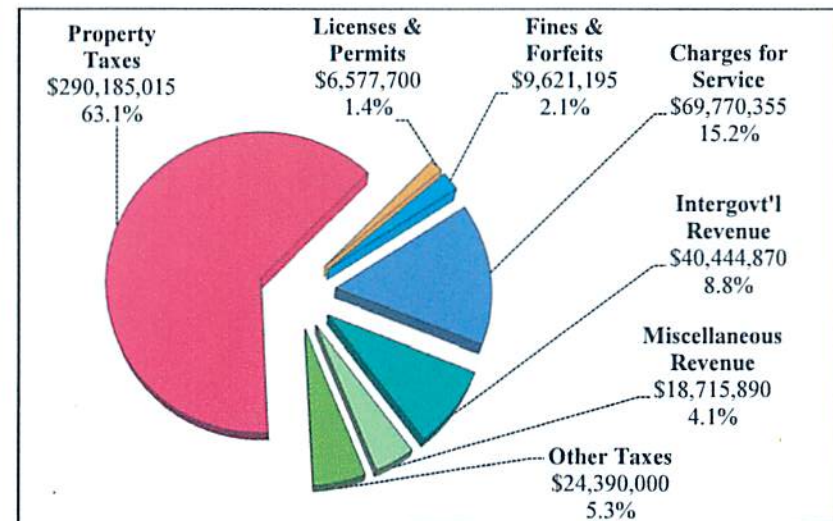
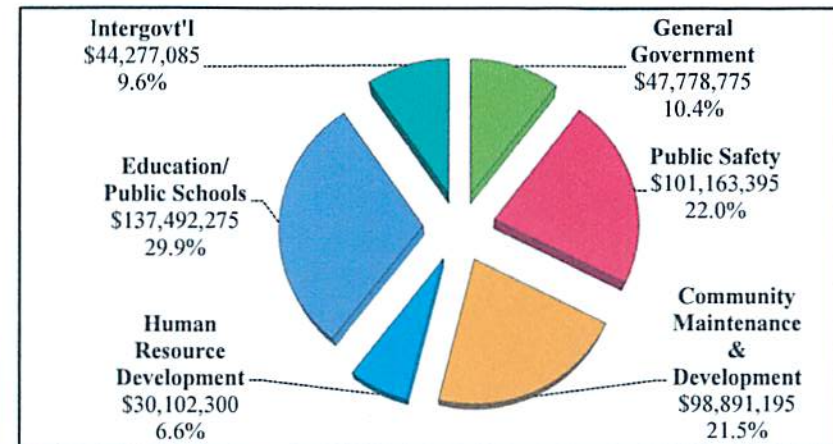
#### STANDARD AND POOR'S RATING SERVICES

- The AAA rating reflects strong and dynamic local economy, anchored by Harvard University and MIT.
- Above-average wealth and income factors, including a high market value per capita.
- Very strong financial position, despite a decline in fiscal 2009, coupled with an experienced management team and strong management policies.
- Low debt burden and manageable capital plan.
- Outlook: The stable outlook reflects Standard & Poor's expectation that Cambridge will continue to maintain a strong financial position, given the current levels and the city's historical positive budget variances. We also expect the city's economy and property tax base to remain strong. We do not expect that the rating will change within the two-year parameter of the stable outlook, as we anticipate the city will continue to maintain consistently strong reserve levels.

## TOTAL OPERATING BUDGET \$459,705,025 (Expenditures & Revenues)

Human Resource Development \$30,102,300	Intergovernmental \$44,277,085
<ul style="list-style-type: none"> <li>•Library</li> <li>•Women's Commission</li> <li>•Veteran's Services</li> <li>•Human Services</li> <li>•Human Rights Commission</li> </ul>	<ul style="list-style-type: none"> <li>•MWRA</li> <li>•Cambridge Health Alliance</li> <li>•State Assessments</li> </ul>

General Government \$47,778,775	Public Safety \$101,163,395	Community Maintenance & Development \$98,891,195
<ul style="list-style-type: none"> <li>•Mayor</li> <li>•Executive</li> <li>•City Council</li> <li>•City Clerk</li> <li>•Law</li> <li>•Finance</li> <li>•Employee Benefits</li> <li>•General Services</li> <li>•Election</li> <li>•Public Celebration</li> <li>•Reserve</li> </ul>	<ul style="list-style-type: none"> <li>•Animal Commission</li> <li>•Fire</li> <li>•Police</li> <li>•Traffic, Parking &amp; Transportation</li> <li>•Police Review &amp; Advisory Board</li> <li>•Inspectional Services</li> <li>•License Commission</li> <li>•Weights &amp; Measures</li> <li>•Electrical</li> <li>•Emergency Communications</li> </ul>	<ul style="list-style-type: none"> <li>•Public Works</li> <li>•Water</li> <li>•Community Development</li> <li>•Historical</li> <li>•Conservation</li> <li>•Peace Commission</li> <li>•Cable T.V.</li> <li>•Debt Service</li> </ul>

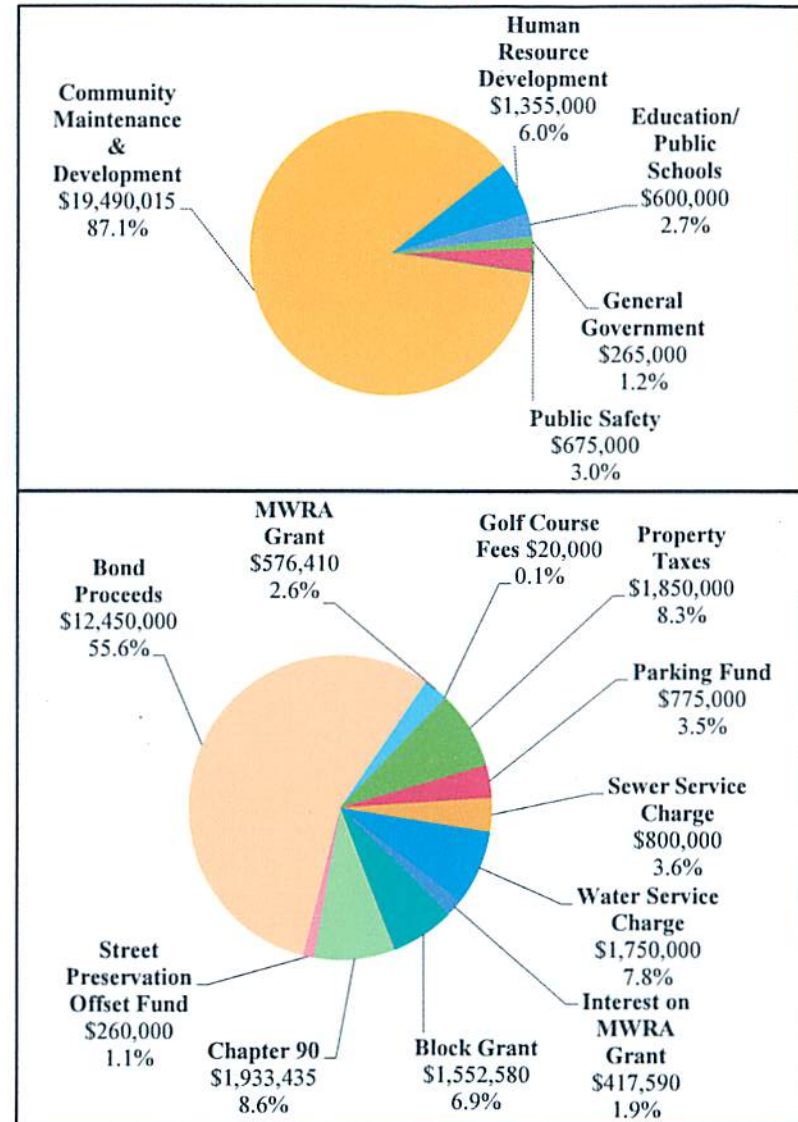




## FY11 CAPITAL PROJECTS LIST

- Sewer Reconstruction
- Street/Sidewalk Reconstruction
- Harvard Square Tunnel/Underpass Improvements
- Water System Improvements
- Housing Rehab & Development
- Parking and Roadway Improvements/Traffic Calming
- Parks and Recreation Facility Improvements
- Recycling Toters
- Fire Vehicles /Equipment/and Fire Station Renovations
- Public Building Improvements
- School Equipment/Building Improvements
- Employment Program Fund
- Acquisition of Personal Computers/Technology Upgrades
- Neighborhood Business Development/Façade Improvements
- Accessibility Improvements
- Park and Cemetery Tree Pruning
- Public Art Conservation

## TOTAL CAPITAL BUDGET: \$22,385,015 (Expenditures & Revenues)



## MAJOR CAPITAL PROJECTS:



Newly Renovated Robert W. Healy Public Safety Building

Total Project Cost \$62.1m

Completed December 2008



War Memorial

Total Project Cost \$29.9m

Completed January 2009



West Cambridge Comm. /Youth Center

Total Project Cost \$18.6 m

Completed April 2009



Main Library

Total Project Cost \$90.7m

Completed late 2009



Cambridge Rindge & Latin School

Total Project Cost \$112.1m

Estimated Completion September 2011

**TOTAL: \$313.4m**



**OTHER KEY FINANCIAL INDICATORS:**

Cambridge Residential Tax Rate Continues to be the lowest among surrounding communities and the lowest of any city in the Commonwealth.

	FY10 TAX RATE (PER \$1,000)	TAX BILL \$ 400,000 HOME	TAX BILL \$800,000 HOME
<b>CAMBRIDGE</b>	<b>\$7.72</b>	<b>\$1,556</b>	<b>\$4,644</b>
BROOKLINE	\$10.97	\$2,601	\$6,989
SOMERVILLE	\$12.30	\$3,222	\$8,142
BOSTON	\$11.88	\$3,266	\$8,018
WATERTOWN	\$13.31	\$4,213	\$9,537
ARLINGTON	\$12.11	\$4,844	\$9,688
BELMONT	\$12.16	\$4,864	\$9,728

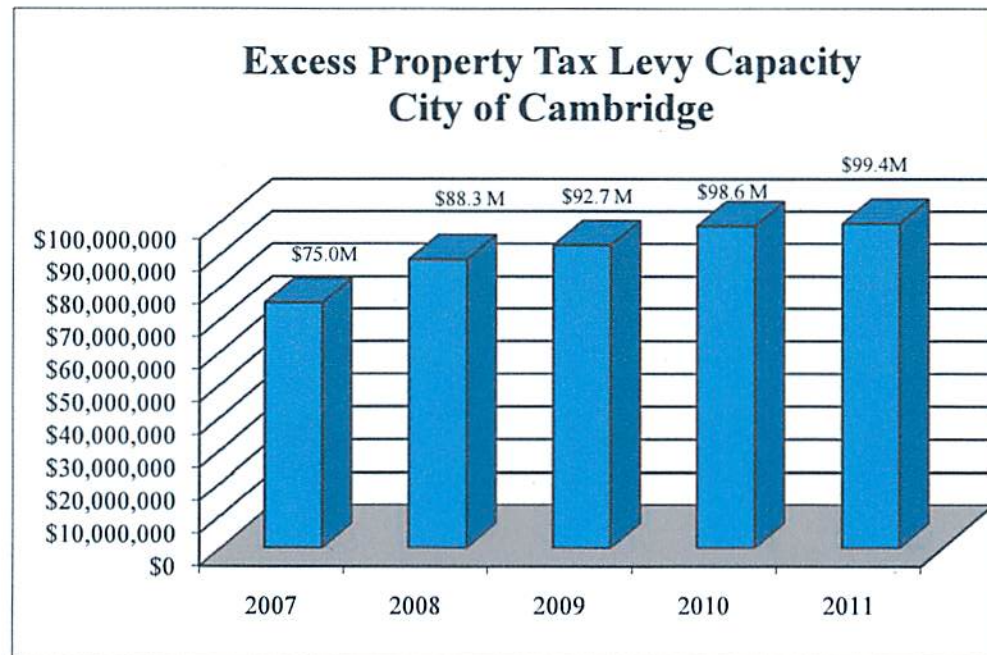
Tax Rates - Cambridge (\$)		
	Residential	Comm. / Ind.
2007	7.48	18.30
2008	7.36	17.24
2009	7.56	17.97
2010	7.72	18.75
2011	8.16	19.90

### PROPERTY TAX EXCESS LEVY CAPACITY

When a community sets its property tax levy below the property tax limit, the difference between the levy and the levy limit is commonly referred to as excess property tax levy capacity. This is an additional amount the community could, but chose not to, levy.

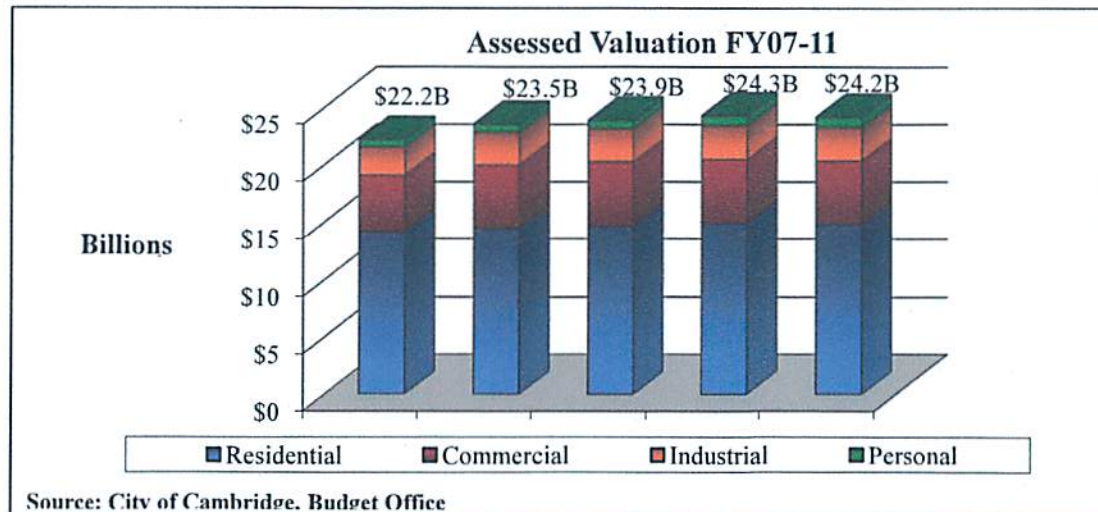
$$\text{Levy Limit} - \text{Levy} = \text{Excess Levy Capacity}$$

$$\$383.4\text{m} - \$284.0\text{m} = \$99.4\text{m}$$



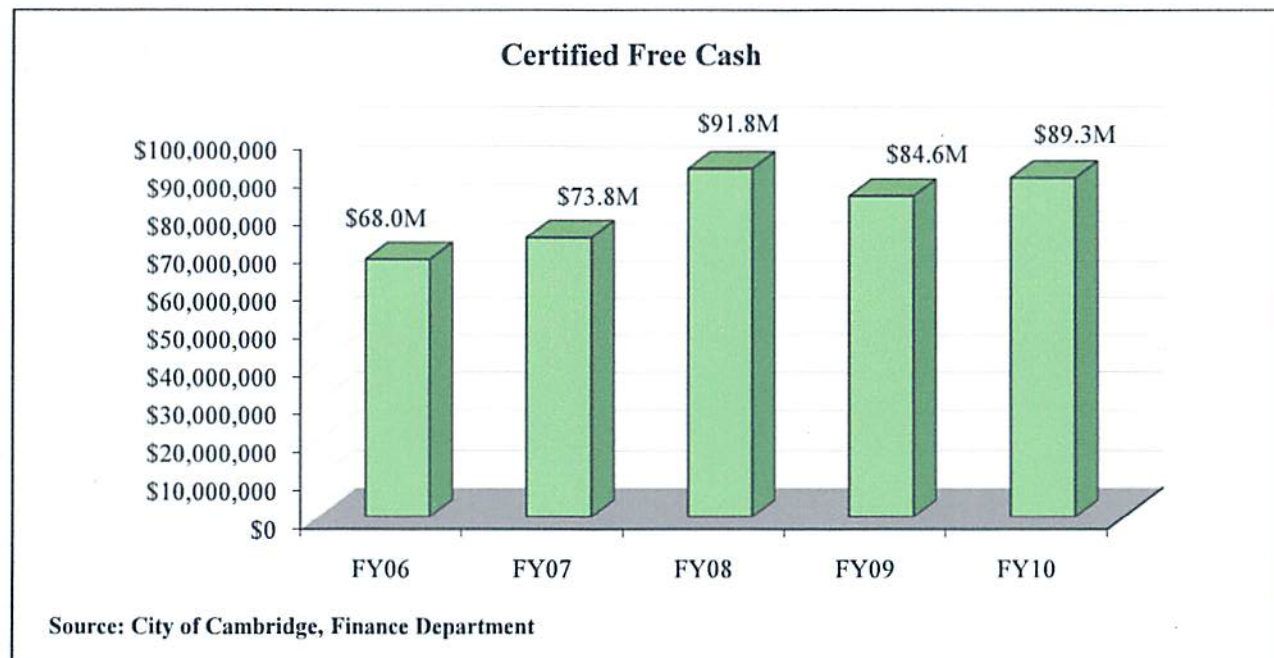
The City's Excess Levy Capacity has continued to grow over the past five years, due the limited growth in the property tax levy and budget growth:

- The City's excess levy capacity continues to be the largest in the state.
- Average property tax levy growth over the past six fiscal years is 4.1%.
- In FY11, 51.7% of residential taxpayers received a property tax bill that was lower, the same as, or only slightly higher (but less than \$100) than the previous year. In addition, another 32.2% of residential taxpayers will see an increase of between \$100-250.
- This is the sixth consecutive year that a majority of residential taxpayers will see a reduction, no change or an increase of less than \$100. The six year average is 75.2% of residential taxpayers received a property tax bill that was lower, the same as, or only slightly higher (but less than \$100).
- FY11 budget reflects a 3.1% increase over the prior year adjusted budget. This increase would have been 2.8% were it not for an additional pay period falling in FY11. The six year average growth of the budget is 3.6%.



### CERTIFIED FREE CASH

- Certified free cash represents surplus revenues in excess of budget and/or expenditures less than budget.
- Prudent management of expenditures while maintaining a high level of service, and conservative budgeting practices have led to the second highest free cash balance in the City's history in FY10. This has enabled the City to reduce the growth in its property tax levy.





### OTHER FUNDS

Cambridge maintains reserve funds to protect the City from unexpected expenses and potential shortfalls of revenue.

#### **Parking Fund (Balance as at June 30, 2010 \$12.6m)**

- The Parking Fund records revenues from meter permits, meter collection, resident parking stickers, parking lots and garages, parking fines and interest earnings.
- These revenues are used to offset costs incurred by the Traffic, Parking and Transportation Department, salary costs for other City departments, state assessments, debt service on street reconstruction projects and capital improvement projects.

#### **City Stabilization Fund (Balance as at June 30, 2010 \$13.4m)**

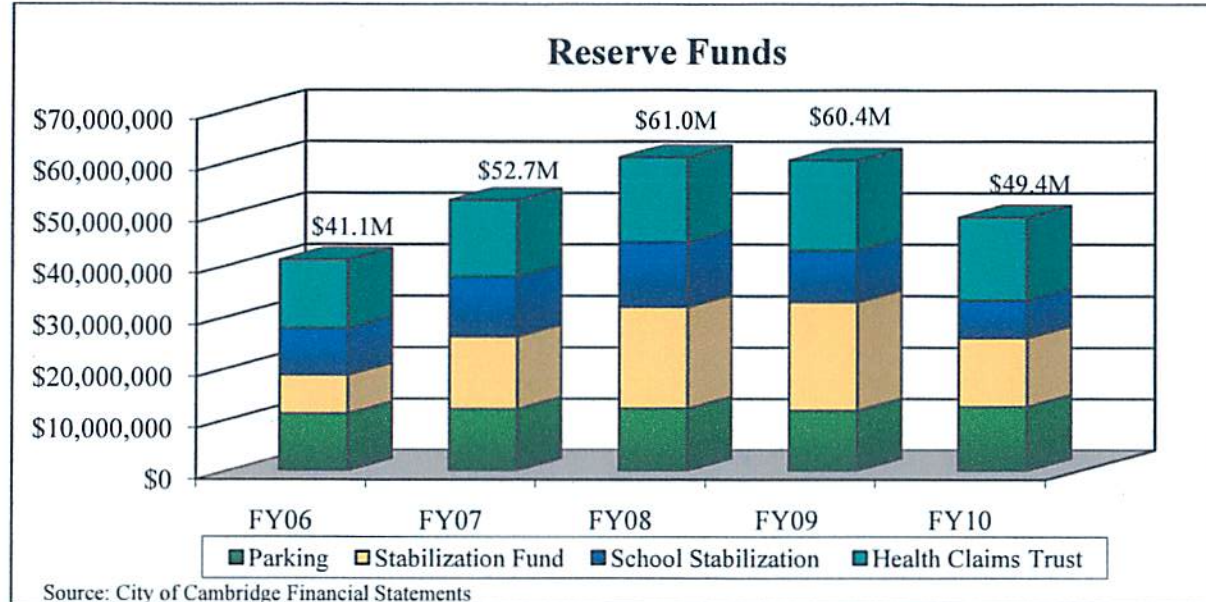
- The City Stabilization Fund is a statutory reserve account used as a revenue source to help offset increases in property tax support debt.

#### **School Stabilization Fund (Balance as at June 30, 2010 \$7.3m)**

- The School Stabilization Fund is a statutory reserve account used as a revenue source to help offset increase in property tax supported school debt.

#### **Health Claims Trust Fund (Balance as at June 30, 2010 \$16.2m)**

- The Health Claims Trust fund was established during FY85 to act as a contingency against possible deficits in health insurance allotments due to higher than anticipated claims.
- Employee deductions for healthcare coverage are deposited into this fund and interest earned by the fund is recorded as income.
- Transfers are made from this fund to the General Fund to cover a portion of health insurance costs.



### Water Enterprise Fund (Balance as at June 30, 2010 \$6.3m)

- The water rate is set in March. The average annual increase over the last five years is 2%.
- The Cambridge Water Department is a municipally owned and operated water utility that serves approximately 102,000 residents and 2,312 commercial, industrial and institutional entities.
- The City's source of water supply is the 24 square mile Hobbs Brook/Stony Brook Watershed, which is a part of the Charles River basin.
- The total capacity of water in these reservoirs is 2.7 billion gallons. The water is transferred thru 10 miles of pipe to the terminal reservoir, which stores 1.5 billion gallons of water.
- The Water Fund, used to account for the operations and maintenance of the City's water system, is financed by charges for services and miscellaneous revenue.

### City Manager's Budget Guidelines to City Department Heads

- Salary and Wage Budgets can increase to reflect, Increments, Pensions, Health Insurance, Medicare and Allowance increases. This includes a projected 11% increase in health insurance costs and a 5.5% increase in pension costs over the current fiscal year.
- All vacancies will be reviewed. Position reductions may occur as part of this process. **Therefore, budget submissions should include a description of the operational impact on your department if vacant positions are eliminated.**
- For FY12, it is the City Manager's goal to submit a budget to the City Council that supports their priorities **with the same number of or fewer positions.**
- Non-Salary Budgets are to be level funded. Generally, no increases to Other Ordinary Maintenance, Travel and Training or Extraordinary Expenditure accounts.
- All non-personnel operating items with contractual increases must be absorbed within the budget and not knowingly under-budgeted. Major contracts for services must be reviewed to ensure departments have sufficient funds to meet contractual needs. Energy budgets will be reviewed on a department by department basis. **Departments will need to document, for their budget hearing, large cost increases and the impact on their operating budgets if the increases are absorbed in their present level of service budget.**
- Extraordinary Expenditures must be updated and one-time items from the current fiscal year eliminated.
- Reductions in Grant Funded programs cannot be absorbed into the General Fund Budget.
- **Each Department will be asked to review their current operations and provide suggestions to achieve savings through service/position reductions, restructuring or efficiencies.**



## Budget Calendar

December	<ul style="list-style-type: none"> <li>•City Manager holds Budget Kick -Off Meeting with Department Heads</li> </ul>
Jan-March	<ul style="list-style-type: none"> <li>•Department Budget Preparation and Hearings with City Manager</li> </ul>
March	<ul style="list-style-type: none"> <li>•Water-Sewer Rate approved by City Council</li> </ul>
April	<ul style="list-style-type: none"> <li>•Proposed Budget Submitted to City Council</li> <li>•2nd half tax bills sent to property owners</li> </ul>
May	<ul style="list-style-type: none"> <li>•City Council Budget Hearings</li> <li>•2nd half bills due</li> </ul>
Late May	<ul style="list-style-type: none"> <li>•Budget Adoption</li> </ul>
June	<ul style="list-style-type: none"> <li>•Current Fiscal Year ends June, 30</li> </ul>
July	<ul style="list-style-type: none"> <li>•New Fiscal Year begins July, 1</li> </ul>
September	<ul style="list-style-type: none"> <li>•Tax Rate set/Final Tax Levy Established</li> </ul>
September/October	<ul style="list-style-type: none"> <li>•Tax Newsletters sent to residents</li> </ul>
October	<ul style="list-style-type: none"> <li>•Property tax bills sent/Abatement Application Deadline</li> </ul>
November	<ul style="list-style-type: none"> <li>•1st Half bills due</li> </ul>

## Useful Links and Contact information

City Website: [www.cambridgema.gov](http://www.cambridgema.gov)

Information on

- City Budgets
- Comprehensive Annual Financial Report (CAFR):
- Bond Sale Documents

Can be found at <http://www.cambridgema.gov/budget/publications.aspx>

Tax Information and Newsletters can be found at: <http://www.cambridgema.gov/assess/newsandpublications.aspx>

Water and Sewer rate information can be found

at: <http://www.cambridgema.gov/finance/relatedlinks/fy10waterandsewerratesandseniordiscounts.aspx>

Assessing Department: 617-349-4343 (Property Value Information)

Budget Department: 617-349-4270 (Expenditures and Revenues information)

Finance Department: 617-349-4220 (Tax Bill Information)

Email: [treasurer@cambridgema.gov](mailto:treasurer@cambridgema.gov)